



Agenda Date: 2/5/03
Agenda Item: 3J

STATE OF NEW JERSEY
Board of Public Utilities

*Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us*

CABLE

IN THE MATTER OF THE PETITION OF)
PATRIOT MEDIA AND COMMUNICATIONS CNJ,)
LLC, FOR APPROVAL TO INCUR)
INDEBTEDNESS AND TO PLEDGE ASSETS)

ORDER OF APPROVAL

DOCKET NO: CF02100730

(SERVICE LIST ATTACHED)

BY THE BOARD:

On September 27, 2002, Patriot Media & Communications CNJ, LLC (hereafter "Patriot"), a Delaware limited liability company, with offices located at 35 Mason Street, Greenwich, Connecticut 06830 petitioned the Board for approval to incur indebtedness and to pledge assets pursuant to N.J.S.A. 48:5A-40 and 42, and N.J.A.C. 14:17-6.13. Patriot's petition requested Board's approval of Patriot borrowing up to \$165,000,000 under Senior Secured Credit Facilities (hereafter "Facilities") from the Bank of New York and a Syndicate of Financial Institutions. The Facilities are made up of a \$40 million revolving credit facility, a \$25 million term loan, and a \$100 million term loan.

The borrowing by Patriot is in conjunction with a transaction that is the subject of a Joint Petition filed on September 11, 2002 by Patriot and RCN Telecom Services, Inc (Hereafter "RCN") for approval to transfer Certificates of Approval (hereafter "COAs"), partnership interests and other assets from RCN to Patriot. RCN currently holds or controls COAs and certain related assets in thirty-one (31) communities located in Hunterdon, Somerset, Morris and Mercer Counties (the "CATV System").¹ The Joint Petition sought approval of the terms of an Asset Purchase Agreement between RCN and Patriot. The Asset Purchase Agreement provides that Patriot shall pay to RCN, subject to certain adjustments, a purchase price of \$245 million for the CATV System and certain other assets. Upon approval of the Joint

¹ RCN directly holds the COAs and municipal consents for Bedminster Township, Bernardsville Township, Bethlehem Township, Branchburg Township, Chatham Township, Chester Borough, Chester Township, Clinton Borough, Clinton Township, Delaware Township, East Amwell Township, Far Hills Borough, Flemington Borough, Franklin Township (Hunterdon County) Franklin Township (Somerset County), Harding Township, Hillsborough Township, Lebanon Borough, Long Hill Township, Mendham Borough, Mendham Township, Millstone Borough, Montgomery Township, Peapack-Gladstone Borough, Raritan Township, Readington Township, Rocky Hill Borough, Tewksbury Township and Union Township. RCN also owns an 80.355% interesting Home Link Communications of Princeton, L.P. ("Home Link"), a New Jersey limited partnership. RCN is the sole general partner of Home Link, which is the holder of municipal consents and COAs for Princeton Borough and Princeton Township

Petition and the transfer of the assets Patriot will own and operate as a cable television company in the service territory.

The Facilities are to be used for the acquisition of the COAs, municipal consents, and assets of the CATV System, including the Home Link partnership interests, by Patriot as well as for general corporate purposes including capital expenditures, working capital, and the payment of fees and expenses related to the Facilities and the CATV System acquisition.

The petition and an attached document entitled Patriot Media and Spectrum Equity Summary of Principal Terms and Conditions (hereafter "Term Sheet") refer to the following terms:

The interest rate on advances under the Facilities will be made either at LIBOR or at the Alternate Base Rate, plus a specified margin;

The Facilities will be secured by a first priority perfected security interest on all of the equity interests issued by Patriot and any subsidiaries and on the assets of Patriot;

The Facilities have various other conditions and covenants including those in the Term Sheet which also contains the specific repayment schedule;

In accordance with N.J.A.C. 14:17-6.13(a) 10, no franchises or rights are proposed to be capitalized directly or indirectly; and

The closing date on the Facilities will occur at the acquisition of the CATV System.

After a review of this matter, the Board HEREBY FINDS that the Transactions to be made are in accordance with law and are in the public interest, and the Board HEREBY APPROVES Patriot's borrowing of up to \$165,000,000 under Senior Secured facilities from the Bank of New York and a syndicate of Financial Institutions.

This Order is subject to the following conditions:

1. This Order shall not affect or in any way limit the exercise of the authority of the Board or the Office of Cable Television or the State of New Jersey in any future petition or in any proceeding regarding rates, cost of service, franchises, service, financing accounting, capitalization, depreciation or any other matters affecting the Petitioner.
2. In the event of an act of default, as described in the loan documents, Petitioner agrees to notify the Board within five (5) days of such default; this will give the Board the opportunity to determine if such default would cause inadequate, unsafe or improper service in violation of N.J.S.A. 48:5A-36 and N.J.S.A. 48:5A-39.

3. This order shall not be construed as directly or indirectly fixing for any purpose whatsoever, any value of tangible or intangible assets now owned or hereinafter to be owned by Petitioner.
4. Patriot shall inform the Board of the date on which the transactions are consummated within twenty days after the completion of the transactions herein authorized.
5. Patriot shall file journal entries to the Office of Cable Television to record the transactions approved herein within 45 days of final closing.
6. Patriot agrees to submit to the Board, at the Board's request, copies of all financial statements or materials required to be submitted to the banks in connection with the Facilities.
7. Notwithstanding anything to the contrary in the Term Sheet or the underlying documents making up the terms of the Facilities, neither this proposed financing nor a default under the Facilities or supporting documents shall constitute an automatic transfer of Patriot's property, plant or equipment, or Certificate of Approval under the terms of any security agreement or other document in conjunction with the Facilities. Board approval must be sought pursuant to N.J.S.A. 48:5A-19, 40 and 43.
8. Approval of the transactions herein shall not constitute a determination, nor in any way limit any future determination of the Board as to the treatment of indebtedness, capital structure and interest expense for ratemaking purposes, in any rate proceeding under State or federal law.

9. The Board's approval herein should not be interpreted as limiting the Board's authority over Patriot to the extent that any action contemplated in the Term Sheet or other documents would require further Board review and approval under applicable law.

DATED: February 6, 2003

BOARD OF PUBLIC UTILITIES
BY:

[SIGNED]

JEANNE M. FOX
PRESIDENT

[SIGNED]

FREDERICK F. BUTLER
COMMISSIONER

[SIGNED]

JACK ALTER
COMMISSIONER

[SIGNED]

CONNIE O. HUGHES
COMMISSIONER

ATTEST:

[SIGNED]

KRISTI IZZO
SECRETARY